

March 15, 2010

Sheldon Altschuler
Safety and Risk Manager
City of Rockville
111 Maryland Avenue
Rockville, MD 20850

Re: Request for Insurance Quote

Dear Mr. Altschuler:

Thank you for your interest in the Local Government Insurance Trust (LGIT). We appreciate the opportunity to submit our proposal for insurance coverages. The enclosed outlines our programs in detail and the broad coverage we are prepared to offer the City of Rockville.

The Trust is committed to providing broader coverage at competitive rates, specialized loss control and risk management assistance to local governments. We believe we can offer the City of Rockville unparalleled services, and our vast experience, with our 18 county government members and 137 municipality members, will enable us to effectively respond to the needs of the City of Rockville.

If you are interested in becoming a member of LGIT, we ask that you obtain a resolution from your Council and submit a general letter to the Board of Trustees of the Local Government Insurance Trust requesting to join the Trust.

Should you have questions, please feel free to call me at 1-800-673-8231. On behalf of LGIT, we thank you for the opportunity to present this proposal.

Sincerely,

Herbert H. Schomburg, CPCU, ARM, AIM, AIC
Director, Loss Control & Underwriting

Enclosure

HHS/cas

Proposal For
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City of Rockville

Prepared by
Local Government Insurance Trust
March 15, 2010

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LOCAL GOVERNMENT INSURANCE TRUST
PROPOSED SERVICES

***Bid Proposal
for
City of Rockville***

Company Proposed: *Local Government Insurance Trust*

Claims Adjustment Service: *Claims adjustment services are provided through an in-House Claims department.*

Where are claims handled: *The Local Government Insurance Trust
7225 Parkway Drive
Hanover, MD 21076*

Safety Engineering Service *LGIT offers its own in-house Risk Management: Loss Control and Safety Programs, which include hazard evaluations, seminars, Defensive Driving Training, contract reviews, etc.*

Auditing Services: *Auditing services are rendered by independent service providers.*

Proposed Policy Period: *July 1, 2010 through July 1, 2011
Above premiums will be prorated from inception date.*

Premium and Payment: *Premium payments are due in full within forty-five (45) days of inception of the policy. A Summary of the Coverages and Premiums is attached.*

LOCAL GOVERNMENT INSURANCE TRUST
PRIMARY LIABILITY QUOTE

**PRIMARY LIABILITY PROGRAM
PREMIUM QUOTATION**

Local Government: Rockville
Effective Date: July 1, 2010
Expiration Date: July 1, 2011

			ANNUAL PREMIUM
COMMERCIAL GENERAL LIABILITY	\$1,000,000	Each Occurrence	\$26,912
• Bodily Injury, Property Damage	\$2,000,000	Annual Aggregate	
• Deductible	\$25,000		
SUBLIMITS:	\$1,000,000	Annual Aggregate	Inc.
• Products & Completed Operations	\$1,000,000	Each Occurrence	Inc.
• Personal Injury, Advertising Injury	\$ 5,000	Each Person	Inc.
• Medical Expenses Benefits	\$1,000,000	Each Occurrence	Inc.
• Fire Damage Legal Liability	\$1,000,000	Each Occurrence	Inc.
• Marina Legal Liability			
PUBLIC OFFICIAL LIABILITY	\$1,000,000	Each Wrongful Act	\$42,198
• Wrongful Act-Claims made coverage	\$1,000,000	Annual Aggregate	
• Deductible	\$5,000	Each Wrongful Act	
• Employee Benefits	\$1,000,000	Each Wrongful Act	Inc.
LAW ENFORCEMENT LIABILITY	\$1,000,000	Each Wrongful Act	\$30,279
• Wrongful Act-Claims made coverage	\$1,000,000	Annual Aggregate	
• Deductible	\$5,000	Each Wrongful Act	
TOTAL PRIMARY LIABILITY			\$99,389
AUTOMOBILE LIABILITY & PHYSICAL DAMAGE			
• Bodily Injury, Property Damage	\$1,000,000	Each Occurrence	\$25,353
• Garagekeepers' Legal Liability	\$1,000,000	Each Occurrence	
• Deductible	\$1,000	Each Vehicle	
• Hired/Non Owned Autos	\$1,000,000	Each Occurrence	
• Personal Injury Protection	\$ 2,500	Per Person	\$1,360
• Uninsured Motorists –Optional	\$1,000,000	Each Occurrence	N/A
• Comprehensive Deductible	\$ 500		\$6,891
• Collision Deductible	\$ 500		\$10,250
TOTAL AUTOMOBILE LIABILITY			\$43,854

SPECIAL ENDORSEMENTS

• Sewer Backup Endorsement	140 miles	\$30,409
• Punitive Damages Endorsement		23,811
• Secondary Employment & Off Duty (Law Enforcement) Endorsement		\$284
• Skateboard Endorsement		\$2,100
TOTAL LIABILITY PREMIUM		\$199,847

LOCAL GOVERNMENT INSURANCE TRUST
EXCESS LIABILITY QUOTE

**EXCESS LIABILITY PROGRAM
PREMIUM QUOTATION**

Local Government: Rockville
Effective Date: July 1, 2010
Expiration Date: July 1, 2011

EXCESS LIMIT OPTIONS	EXCESS PREMIUM
\$1,000,000 xs \$1,000,000	-0-
\$2,000,000 xs \$1,000,000	-0-
\$3,000,000 xs \$1,000,000	-0-
\$4,000,000 xs \$1,000,000	-0-
\$5,000,000 xs \$1,000,000	\$19,706

LOCAL GOVERNMENT INSURANCE TRUST
PROPERTY AND EQUIPMENT BREAKDOWN QUOTE

PROPERTY POOL PROGRAM
PREMIUM QUOTATION
\$ 25,000 DEDUCTIBLE

Local Government: Rockville
Effective Date: July 1, 2010
Expiration Date: July 1, 2011

A. STANDARD COVERAGE	LIMIT	ANNUAL PREMIUM
PREMIUM	\$79,871	\$53,955

Blanket Buildings, Personal Property & Computers

Not to exceed the following sublimits for standard coverage:

• Unscheduled Property	\$500,000	Inc.
• New Construction, Additions or Alterations	\$1,000,000	Inc.
• Consequential Loss to Covered Property	\$500,000	Inc.
• Utility Interruption Off Premises	\$500,000	Inc.
• Personal Property of Employees	\$1,000	Inc.
• Time Element	\$250,000	Inc.
• Accounts Receivable	\$250,000	Inc.
• Valuable Papers and Records	\$100,000	Inc.
• Mobile Equipment	\$100,000	Inc.
• Mobile Equipment Rental Reimbursement		

Additional Limits Available At Additional Premium

B. OPTIONAL COVERAGE

• Fine Arts	Not Requested	N/A
• Historic Property	Not Requested	N/A
• K-9	Not Requested	N/A
• Builders Risk	Not Requested	N/A
• Auto Off Premises	Not Requested	N/A

C. OPTIONAL CAUSES OF LOSS

• Flood and Earthquake	\$5,000,000	Inc.
• Equipment Breakdown (Boiler and Machinery)	\$150,000,000	\$7,076

TOTAL (Including Options)	\$61,031
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LOCAL GOVERNMENT INSURANCE TRUST
SUMMARY OF RISK MANAGEMENT SERVICES

Summary of Risk Management Services Offered by LGIT

Annual Scopes of Coverage Review and Enhancement

Annually coverages are analyzed for areas of improvement. Every year rates are either reduced or kept stable and coverages have broadened due to our review of the market, claims issues and requests from our members.

Training and Education

LGIT offers comprehensive training programs, which assist the risk management efforts of the Trust. These programs are structured to offer seminars and workshops which feature topics that are specifically designed to target loss drivers and address the risk management needs that have been expressed by our members. These programs feature a variety of public officials and law enforcement seminars, updates of municipal and employment law, regional offerings and on-site member requested training. Seminars and workshops are offered free of charge or are greatly subsidized for LGIT members.

Public Officials Seminars

These seminars offer a wide range of topics designed to help public officials, personnel directors, managers and employees deal with liability issues. Examples include seminars on Basics of Risk Management, Qualifying Contractors, Sexual Harassment, Cultural Diversity, ADA Update, Employment Liability issues, Workplace Violence Prevention, Employment Litigation affecting Local Governments and Ethics. Discussions focus on relevant law, recommended policies and procedures, risk control and loss prevention techniques. Many of these courses and others are offered for Public Officials through the fellowship program of the Academy for Excellence in Local Governance in conjunction with the University of Maryland's Institute for Governmental Service.

Defensive Driving Course

The National Safety Council's six (6) hour Defensive Driving Course is designed to educate drivers on how to prevent motor vehicle accidents. These classes also address how safe driving can increase productivity, create better community relations, and maintain on-time efficiency.

Driver Training for Emergency Response Vehicle Operators **"EVOC"**

This course is designed for law enforcement personnel and emergency response vehicle operators and includes a vehicle control course that teaches participants how to control their vehicle in emergency situations. Participants learn how to use the full potential of their vehicle to avoid accidents. Attendees also receive individual coaching and practice with a vehicle to master the ability to handle extreme evasive-maneuvers, develop a new confidence and greatly enhance skill level.

Recognizing Drug and Alcohol Misuse **"Reasonable Suspicion"**

This program is designed to train supervisors of local governments to recognize the symptoms of drug and alcohol misuse by employees in the workplace. The seminar covers the effects of substance abuse and how it affects the organization's productivity and profitability. This seminar also helps the local government understand the Department of Transportation (DOT) regulation for drug and alcohol testing affecting drivers, who carry commercial driver's licenses (CDL) and/or are in safety sensitive positions.

Law Enforcement Seminars

These seminars feature a number of topics specifically geared to the law enforcement and corrections community. Seminars cover Developing, Writing, and Implementing Policies, Rules and Procedures; Harassment and Discrimination; Understanding Law Enforcement's Role; Responsibilities and Legal Strategies; and Law Enforcement Liability issues: Managing Legal Risks — Law of Arrest, Search and Seizure. (In-service training credit by the Maryland Police and Correctional Training Commission will be provided.)

Property Loss Prevention Seminars

These seminars are designed for risk managers, administrators and public works employees to assist members in developing measures to prevent losses and to properly deal with them when they occur. Subjects include: Accident Investigations, Self-Inspections and Preventive Maintenance, Sewer Backup, Maintenance of Boilers and Pressure Vessels.

Regional Renewal Workshops

These workshops are designed for risk managers, clerks and individuals within the local government who are responsible for the insurance function. Participants receive an overview of the underwriting process, assistance with completing the **new** renewal applications, and guidance in completing vehicle, property and equipment schedules. The workshop also covers budgeting information requirements and revised Scopes of Coverage for the Liability and Property programs.

Beginning Supervisors Workshop

This workshop is designed for local government personnel to develop their supervisory skills and to help individuals learn the fundamentals of effective supervising. Helping new supervisors avoid potential employment liability.

Special Events Workshop

This program addresses the needs of the local government conducting safe Special Events. It provides risk management techniques, which are achievable, realistic and practical. Participants learn how to set up and administer inspection and maintenance programs. Liabilities and immunities are also discussed. This session also provides instruction to local governments on setting up risk management and safety programs.

Training Video Library

Members have access to the Trust's extensive training videos at no charge. On occasion, videos targeting specific loss control issues, which have been identified as problematic, are distributed to members.

Loss Control Report Card

An annual "Report Card" is provided to each member. It is designed to identify those lines of coverage in which the individual participant may need help relative to the Pool as a whole.

Employment Law Hotline

A toll free hotline available to Liability Pool Members, LGIT's Employment Hotline provides free access to an attorney for advice on members' pressing employment law questions and employment liability issues.

Risk Management Manual

This manual combined with LGIT's Risk Management Guidelines provides each member with effective tools to minimize losses. It begins by outlining the steps needed to set up a risk management program. It covers many substantive areas unique to local governments, and presents them in an understandable format.

Training Grants

Training Grants provide assistance with obtaining education and training to advance employees' skills in the area of risk management and/or safety. There are three grant cycles within the fiscal year and all grant applications are reviewed for approval by the Risk Management Committee.

Member Risk Management Committees

- Assist in establishing, continuing and maintaining LGIT Member Risk Management Committees
- Insurer representation on member's Risk Management Committee
- Member representation on Insurer's Risk Management Committee

Accident Investigation

Assistance with accident investigation and follow-up

Referral Listing

Listing of our members included.

Claim Reports

Claims reports are sent automatically on a quarterly basis. They are also sent upon request.



COVERAGE INFORMATION
**COMPARING LOCAL GOVERNMENT
 LIABILITY, PROPERTY, AUTO,
 CRIME AND BOND COVERAGE QUOTES**
 Some Questions to Ask

For several years in the late '90's, the commercial insurance market was very competitive, with lots of insurance companies that wanted to sell insurance to local governments. That's now changed and the insurance market is in one of its periodic "hard" phases. Regardless of the state of the market, many local governments feel it's a good management practice to periodically compare what the commercial companies offer with the coverage available from LGIT. But in making that comparison, it's important to look not just at cost but also at the coverage as well.

The LGIT coverage was designed specifically to meet local governments' needs, and is broader than any we have seen offered to a local government by any commercial insurance carrier. If you are looking at a commercial insurance company's policy or policies as an alternative to LGIT, this list of questions can help identify some of the differences in coverage. LGIT can answer "yes" to all of these questions. If a private carrier can't, their coverage isn't as good as LGIT's. (Keep in mind, of course, that some of these coverages are optional in LGIT, and that there are limits on the LGIT coverages for certain risks and exposures.)

Ask the agent or insurance company offering the coverage to answer these questions in writing. If you buy their insurance, keep a copy of the response with your policy. It will be useful when you have a claim.

Some Questions to Ask About Liability Coverage

1. Does it cover liability exposures of ambulance attendants, paramedics, and "First Responders" other than physicians?
2. Does it cover the professional malpractice exposure of an engineer, surveyor, or accountant who is an employee?
3. Suppose a police officer acting in good faith misjudges the amount of force that is reasonable to use in making an arrest; that is, the officer in good faith thought that the force he used was reasonable, but a court later disagrees. Does the policy cover both the local government's and the officer's liability for assault and battery or for using unreasonable force?

4. Suppose an officer acts in bad faith and intentionally uses an unreasonable amount of force on a suspect, who then sues both the government and the officer. Is the government's liability covered?
5. Are each of the following "named insureds" under the policy?
 - Council members
 - Members of boards or commissions
 - Volunteers
 - Other elected or appointed local government officials
 - Employees, whether full-time, part-time, or temporary
6. Does it cover liability for employment actions such as hiring, firing, disciplining or promoting?
7. Does it cover liability for claims of sexual or racial harassment?
8. Does it cover violations of civil rights?
9. Is an occurrence form/endorsement available? (Most public officials/police legal liability "errors and omissions" policies are claims-made.)
10. Does it guarantee you the right to purchase a supplemental extended reporting period, even if you cancel the policy or decide not to renew it?
11. Is the price of the extended reporting period specified in the policy itself?
12. Does it cover the liability arising from a officer's or employee's malfeasance?
13. Does it pay for the defense of an officer or employee accused of malfeasance?
14. Does it cover suits by one local government employee against another employee or against the local government?
15. Are general liability, police liability, ambulance liability, firefighters' liability, errors and omissions, and employment liability coverage provided in a single form by a single carrier? (If not, there is a possibility for coverage disputes among the insurers.)
16. Are special events covered? (LGIT does not exclude coverage for special events per se, though certain activities sometimes associated with special events are excluded; motor vehicle races, fireworks, and mechanical rides are examples.)

17. Does the coverage preserve all of the government's statutory and common-law defenses? (Some policies explicitly waive all "governmental immunity" defenses.)
18. Does it cover liability arising out of strikes, riots, or civil commotion?
19. Does it pay on behalf of the insured, rather than reimbursing you after you have paid the loss and defense costs?
20. Does it cover liability for inverse condemnation when a court determines that a zoning or other land use regulation has resulted in a temporary taking of private property?
21. If statutory plaintiff attorney fees are awarded in connection with a covered damage claim, would the insurance pay those attorney fees?
22. Does it cover the administrative liability arising out of operating an employee benefit plan or advising employees regarding such a plan?
23. Does it let you buy higher liability coverage limits where needed, without waiving the statutory liability limits where they apply?
24. Does it defend employment-related charges against the local governments that are filed with the EEOC or Human Rights Commission, even if those charges don't explicitly claim money damages?
25. Is coverage available to defend open meeting law charges against public officials?
26. Is coverage available for the professional activities of an attorney who is a government employee?
27. Is coverage available for damages to private property caused by a sewer back-up, irrespective of whether the local government is legally liable for that damage because of local government negligence? (The standard LGIT liability coverage covers sewer back-up claims like any other liability claim. LGIT also offers a "no-fault" sewer back-up coverage option.).
28. Does the auto liability coverage apply as excess over the personal auto coverage of an officer or employee using his/her car on local government business?
29. Does the auto liability coverage apply as excess over the personal auto coverage of a government volunteer using his/her car on local government business?

Some Questions to Ask About Property Coverage

1. Is the coverage written without a coinsurance clause? If not, the insurance company may penalize you on a claim if they determine that you didn't purchase and pay for adequate coverage limits.
2. Does the insurance company provide valuations for your property? If not, you'll need to either come up with the values yourself or pay for a professional appraiser. If the values you come up with aren't adequate, you may not have enough coverage if a loss occurs and you might be subject to a coinsurance penalty.
3. Does the insurance company cover your buildings and their contents for replacement cost? (LGIT property coverage is all on a replacement cost basis, except for vacant buildings.)
4. Does the insurance company cover your mobile equipment that is less than five years old – i.e., “inland marine” property – at replacement cost?
5. Is property coverage automatic for minor pieces of equipment, or do you have to specifically schedule each one in order to have coverage?
6. Does it cover sewer back-ups and other non-flood water damage to government property?
7. Is flood coverage available for buildings outside the 500-year flood plain?
8. Is loss of income and extra expense coverage included?
9. Are police dogs covered, including the cost of training a replacement dog?
10. Do you have any protection if you forget to schedule property coverage for a particular building or other piece of property?
11. Is coverage available for damage to local government utility poles and lines?
12. Is earthquake coverage available?
13. Is property in transit covered?
14. Does it cover accounts receivable?
15. Does it cover computer equipment and media, including the cost to recover or reconstruct data and programs?
16. Does it cover damage caused by an outside computer “hacker”?

17. Does it cover art objects?
18. Does it cover the cost to replace valuable papers?
19. Does it cover property belonging to others that's in the local government's care, custody, and control?
20. Does it cover your employees' personal tools or equipment used on local government business?
21. Does it automatically cover a newly-acquired or newly-constructed building? (LGIT covers newly-acquired or newly-constructed buildings up to \$1 million, at no additional cost until the local government's next renewal.)
22. Does it automatically cover a newly-acquired piece of mobile equipment? (LGIT covers newly-acquired mobile property up to \$100,000, at no additional cost until the local government's next renewal.)
23. Does it automatically cover newly constructed buildings on a local government building that's being constructed, altered, or repaired? (LGIT provides automatic builders risk coverage if the total project cost is under \$1 million.)
24. Does it cover property damage caused by terrorism?

Some Questions to Ask About Crime Coverage

1. Does it provide an Employee Dishonesty Coverage?
2. Does it include Faithful Performance of Duties?
3. Does it provide Money & Securities Coverage?
4. Does it provide Computer Fraud coverage?
5. Does it provide Forgeries & Alterations coverage?

Some Questions to Ask About Faithful Performance and Employee Dishonesty Bond Coverage

1. Does the "faithful performance" bond cover all losses resulting from the official's failure to faithfully perform his/her duties? (Many "faithful performance" bond forms exclude various claims.)

Do These Things Really Matter?

Some people might suggest that these items are merely unimportant “frills” that aren’t worth worrying about. But remember: Every “no” answer represents a claim which LGIT would cover but the private insurance company wouldn’t.

It’s easy to make insurance cheap by excluding coverage of certain things. But if coverage is excluded for a particular kind of claim, it means the local government retains the risk of loss in those areas. From the local government’s standpoint, retaining risk is a great way to reduce premiums. But coverage exclusions are an unpredictable way of retaining risk. You might not have a claim that falls into one of the exclusions – but then again, you might have a \$1,000,000 loss that falls into the exclusion.

A better and more predictable way to reduce costs by retaining risk is to use deductibles. This could be a per-occurrence deductible, or an “annual” deductible under which the local government keeps the financial responsibility for claims up to a certain dollar amount each year, or a combination of the two. By retaining risk this way, you know how much risk you’re retaining and can budget for it.

LOCAL GOVERNMENT INSURANCE TRUST

WHAT IS LGIT?